



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-9000

THE GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

January 10, 2003

MPM-03-02

MEMORANDUM FOR: All Participants in the Ginnie Mae Multiclass Securities Program

FROM: George S. Anderson, Executive Vice President

SUBJECT: Changes to GNMA II Program

The purpose of this Multiclass Participants Memorandum ("MPM") is to inform participants of changes to the GNMA II MBS program. These changes will affect single-family Custom and Multiple Issuer GNMA II securities as follows:

1. The spread of note rates eligible for inclusion within a GNMA II pool or loan package will be reduced to 25-75 basis points above the security rate.
2. The minimum servicing fee for each GNMA II pool or loan package will be 19 basis points – which would be the minimum note rate/security rate spread of 25 basis points minus the 6 basis points Ginnie Mae Guarantee Fee.
3. Buydown loans may be no more than 10 percent (10%) of the Original Principal Balance of a Multiple Issuer pool. Any Custom pools in which the Original Principal Balance of Buydown loans exceed ten percent (10%) must be denoted as "BD" pools in the same manner as GNMA I Buydown pools.

These changes to the GNMA II program, which will be effective July 1, 2003, incorporate feedback that we have received from industry participants during the last several months. We expect these changes to improve market execution for the GNMA II program by giving issuers increased flexibility, both in determining their optimal capital structure and also in placing "odd coupon" loans in Ginnie Mae securities. Improved execution should enhance the liquidity of GNMA II securities by increasing supply, which should in turn reduce the cost of homeownership to American homeowners.

If you have any questions regarding this MPM, please contact the Office of Capital Markets at (202) 401-8970.